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DE RUEHBO #1377/01 1182227  
ZNR UUUUU ZZH  
R 282227Z APR 09  
FM AMEMBASSY BOGOTA  
TO RUCPDOC/DEPT OF COMMERCE WASHDC  
RUEHC/SECSTATE WASHDC 8514  
RHDIRFCC/FCC WASHDC  
INFO RUEHCV/AMEMBASSY CARACAS 2107  
RUEHPE/AMEMBASSY LIMA 7414  
RUEHLP/AMEMBASSY LA PAZ APR BRASILIA 8825  
RUEHZP/AMEMBASSY PANAMA 3493  
RUEHQ/AMEMBASSY QUITO 8151

UNCLAS BOGOTA 001377

SIPDIS

EB/CIP/BA FOR TFINTON; FCC FOR RTANNER;  
DOC/ITA/OTEC FOR ABENNETT

E.O. 12958: N/A

TAGS: [CPSC](#) [ECON](#) [CO](#) [EINT](#) [EINV](#) [ETTC](#)

SUBJECT: COLOMBIA: FOREIGN BROADBAND DEPLOYMENT INITIATIVES

REF: SECSTATE 27310

**¶1. SUMMARY.** Internet usage has grown to 40 percent of the Colombian population in the last ten years, with internet subscriptions rising at an annual rate of 75 percent. Over 73 percent of internet subscribers use broadband. Despite the growth, Colombia's subscription penetration average remains sixth in Latin America, with a majority of internet subscriptions concentrated in Colombia's three largest cities. To promote Information and Telecommunications (IT) services in rural areas, Colombia's Ministry of Communications developed a comprehensive ten-year National IT plan. A USD 750 million public-private Communications Fund administers plan implementation, with 60 percent of funds targeted to the Compartel rural and community development program. USAID also supports the development of telecommunications networks in rural areas, as well as provides technical assistance to GOC telecommunications authorities. END SUMMARY.

Internet Access Growing, but Penetration Still Low

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**¶2.** The percentage of internet users has grown from 1 to 40 percent of the population -- or approximately 17 million people -- within the last decade. Permanent internet subscribers have also grown at an annual rate of 75 percent in the last five years, although the actual number of subscriptions remains low at 2 million. Colombia's penetration average (the internet subscription to population ratio) is 4.3, ranking it sixth in Latin America behind Chile, Argentina, Uruguay, Mexico and Brazil. Likewise, 55 percent of subscriptions remain concentrated in the cities of Bogota, Medellin and Cali.

Broadband Coverage

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**¶3.** Colombia has 1.45 million internet subscribers with broadband access -- approximately 73 percent of total subscriptions. (NOTE: Colombia's Telecommunications Regulations Commission (CRT) defines broadband as an internet service with a minimum download speed of 512 kbps, which is faster than the 128 kbps download speed defined as broadband by the International Telecommunications Union (ITU). END NOTE.) DSL (63 percent) and cable (32 percent) dominate the broadband market share, with Wimax (5 percent) a distant third. The main providers according to market share are: Empresa de Telefonos de Bogota (25 percent); EPM Telecommunications (24 percent); Colombia Telecommunications (20 percent); Telmex Hogar (19 percent); and independent

providers (12 percent). These providers focus on triple-play packages combining internet, television and telephone services, which has contributed to the rapid expansion of internet usage. Carlos Forero, the Vice-President of the CRT, told us that broadband and associated value-added services are now seen as the market differentiator between telecommunications providers.

#### GOC Policies To Promote Telecommunications

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14. Last year the Ministry of Communications (MOC) announced a National IT Plan, establishing three main goals to be achieved before 2019: 70 percent of Colombians with internet subscriptions, 100 percent of health and education establishments with internet access, and 100 percent of rural areas with internet access. The MOC plans to achieve these objectives through its flagship community and rural development program Compartel, which is funded by a USD 750 million public-private National Communications Fund. (Note: All telecommunications providers are required to assist the MOC in financing the Compartel program, with private sector contributions equaling 15 percent of Compartel's total budget in 2008. END NOTE.) Compartel provides subsidies or investment incentives to establish internet networks and telephony services in Colombia's most rural and impoverished areas. Since 2008, the program has invested USD 421 million in rural networks, benefiting 16,000 rural educational, health and government institutions.

15. In addition to Compartel, the GOC also supports

additional programs in the educational, health, entrepreneurial, competitiveness, online-government and research sectors. Activities in 2008 included the distribution of refurbished computers to educational institutions (USD 86 million), connectivity financing for small and medium enterprises (USD 15 million), conversion of all public institutions to online institutions (USD 70 million), and e-medicine (USD 5 million).

#### USAID: Providing Connectivity and Regulatory Guidance

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16. USAID also promotes telecommunications connectivity for underserved and rural populations, as well as education and content to support economic and social development, through its Last Mile Initiative. Major contributors to this public-private alliance are Avantel, Intel, Cisco, Microsoft, Google, Polyvision, regional and local governments, and the MOC. Through the program, USG-provided equipment and training will connect 50 municipalities in the departments of Meta, Huila and Magdalena, including 21,000 small businesses and 325,000 institutions such as schools, hospitals, justice houses and local government offices. On the technical side, USAID assisted the MOC with the development of its National Plan and presently advises the CRT on "unbundling the local loop" to increase competition in broadband provision.

#### COMMENT: Not Yet A Leader, But Ripe For Growth

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17. Colombia remains behind Latin American neighbors such as Mexico, Brazil and Argentina in most IT indicators, but since the GOC privatized its state-owned National Telecommunications Company in 2003, the IT sector has expanded rapidly. The sector contributed a record 3 percent of total GDP in 2008. Local experts agree the IT sector will continue to experience accelerated growth as Colombia's domestic security situation improves and the legal economy strengthens. However, they also emphasize that continued private investment is key to the GOC achieving its lofty goals by 2019.

BROWNFIELD